

Module: Introduction**Page: W0. Introduction****W0.1****Introduction**

Please give a general description and introduction to your organization.

Philip Morris International Inc. (PMI) is the leading international tobacco company, with its headquarters in New York City, New York, U.S.A. and Operations Center in Lausanne, Switzerland.

On 31 December 2015, PMI owned and operated 48 manufacturing facilities and sold products in more than 180 markets.

In 2015, PMI recorded total cigarette shipment volume of 847 billion units, had revenues, including excise taxes, of US\$ 73.9 billion, and held an estimated 28.7% of the international cigarette market excluding the People's Republic of China and the U.S. PMI's 2015 operating income was US\$ 10.6 billion.

PMI has an unequalled brand portfolio led by Marlboro, the world's number one international selling cigarette brand, and L&M, the third most popular brand. Including Marlboro and L&M, six of our brands rank in the top 15 international cigarette brands in the world. We have a strong mix of international and local products that appeal to a wide range of adult smokers.

PMI's global workforce of more than 80,000 employees is extremely diverse. We have historically expanded our business through a mixture of organic growth, geographic expansion and acquisitions, and have a successful track record of acquiring and integrating companies.

PMI is driven by four long-term goals that guide us as we grow our business in a responsible manner. Those goals are:

- to meet the expectations of adult smokers by offering innovative tobacco products of the highest quality available in their preferred price category;
- to generate superior returns to our shareholders through revenue, volume, income, and cash flow growth and a balanced program of dividends and share repurchases;
- to reduce the harm caused by tobacco products by supporting effective evidence based regulation and by developing products with the potential to reduce the risk of tobacco-related diseases; and
- to be a responsible corporate citizen and to conduct our business with the highest degree of integrity.

For more than a decade, PMI has dedicated significant resources to the development and scientific assessment of non-combustible alternatives to cigarettes. We refer to these products as Reduced-Risk Products (*see further information) because they have the potential to reduce the risk of smoking-related diseases.

We are committed to responsibly delivering long-term sustainable growth and applying high standards wherever we operate. We also aim to be an industry leader in environmental sustainability and have set clear and measurable targets to improve our environmental performance. In 2010, we set ourselves the goal of reducing CO2 emissions and water use in our manufacturing facilities by 20% by 2015, and reducing the carbon footprint of our value chain by 30% by 2020. We achieved our 2015 targets and continue to work on developing company-wide emissions reduction targets based directly on climate science.

W0.2**Reporting year**

Please state the start and end date of the year for which you are reporting data.

Period for which data is reported
Thu 01 Jan 2015 - Thu 31 Dec 2015

W0.3**Reporting boundary**

Please indicate the category that describes the reporting boundary for companies, entities, or groups for which water-related impacts are reported.

Companies, entities or groups over which operational control is exercised

W0.4**Exclusions**

Are there any geographies, facilities or types of water inputs/outputs within this boundary which are not included in your disclosure?

Yes

W0.4a**Exclusions**

Please report the exclusions in the following table

Exclusion	Please explain why you have made the exclusion
Offices (except main offices in Switzerland) and some minor facilities.	We have excluded some offices and minor activities/facilities such as finished goods warehouses for which we have limited data and where we consider our water footprint and risks to be very small. These exclusions are not significant to this disclosure.

Further Information

*Reduced Risk Products (RRPs) is the term we use to refer to products with the potential to reduce individual risk and population harm in comparison to smoking combustible cigarettes. PMI's RRP's are in various stages of development, and we are conducting extensive and rigorous scientific studies to determine whether we can support claims for such products of reduced exposure to harmful and potentially harmful constituents in smoke, and ultimately claims of reduced disease risk, when compared to smoking combustible cigarettes. Before making any such claims, we will need to rigorously evaluate the full set of data from the relevant scientific studies to determine whether they substantiate reduced exposure or risk. Any such claims may also be subject to government review and approval, as is the case in the USA today.

Module: Current State**Page: W1. Context**

W1.1

Please rate the importance (current and future) of water quality and water quantity to the success of your organization

Water quality and quantity	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Important	Important	Direct: We withdraw relatively small volumes of water for use at our manufacturing facilities. A large proportion of the use is for staff and green spaces rather than the process. Environmental assessments help ensure that water withdrawal and discharges are assessed and any potential impacts are identified and mitigated using ISO14001 based management systems in 93% of our factories. This is important as we have set water use reduction targets for all PMI manufacturing facilities, and in 2015 exceeded our goal to achieve a 20% reduction in water use (24% reduction achieved). Indirect Use (Value Chain): Regions from which we source tobacco are vulnerable to water-related risks in the form of drought, and flooding associated with above average precipitation or storm events such as cyclones. In many areas, irrigation is not essential due to sufficient precipitation. We also use paper and cellulose based raw materials where water is vital for our supplier manufacturing processes.
Sufficient amounts of recycled, brackish and/or produced water available for use	Neutral	Neutral	We do not use significant quantities of this category of water.

W1.2

For your total operations, please detail which of the following water aspects are regularly measured and monitored and provide an explanation as to why or why not

Water aspect	% of sites/facilities/operations	Please explain
Water withdrawals- total volumes	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water withdrawals-	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered

Water aspect	% of sites/facilities/operations	Please explain
volume by sources		part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharges- total volumes	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharges- volume by destination	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharges- volume by treatment method	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water discharge quality data- quality by standard effluent parameters	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Water consumption- total volume	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management for our sites and is emphasized by ISO14001 certification in 93% of those sites. Monthly water data is input from all sites globally into our EHS data management system, which is checked quarterly and third party verified annually.
Facilities providing fully-functioning WASH services for all workers	76-100	100% of our operational (i.e. factory) sites are monitored for this water aspect and this is considered part of normal facility management and is emphasized by ISO14001 and OHSAS18001 (health and safety management) certification in 93% of those sites. We use a global reporting requirement for water data with a central data collection system for all sites. Audits and inspections are undertaken to minimum requirements set by our documented standards.

W1.2a

Water withdrawals: for the reporting year, please provide total water withdrawal data by source, across your operations

Source	Quantity (megaliters/year)	How does total water withdrawals for this source compare to the last reporting year?	Comment
Fresh surface water	3.9	About the same	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly, checked quarterly and verified annually. There is a very low level of uncertainty for water withdrawals as these sources are metered. There was a small surface water increase, but this is considered insignificant in the context of our total water use.
Brackish surface water/seawater	0	Not applicable	
Rainwater	1.3	About the same	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly, checked quarterly and verified annually. There is a very low level of uncertainty for water withdrawals as these sources are metered. This number was slightly lower than last year, which generally is in line with programs to reduce water-use; however, for rainwater this is mainly due to local changes in precipitation. Overall, this volume is considered small.
Groundwater - renewable	1444.3	About the same	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly, checked quarterly and verified annually. There is a very low level of uncertainty for water withdrawals as these sources are metered. There was a small reduction, which is in line with programs to reduce water-use.
Groundwater - non-renewable	0	Not applicable	
Produced/process water	0	Not applicable	
Municipal supply	2204.7	Lower	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly, checked quarterly and verified annually. There is a very low level of uncertainty for water withdrawals as these sources are metered. Generally lower water withdrawal is in line with programs to reduce water-use.
Wastewater from another organization	0	Not applicable	
Total	3654.2	Lower	Generally lower water withdrawal is in line with programs to reduce water-use. Driven by our reduction targets which we beat in 2015 and also highlighted by Water reduction awards for best performing factories which we implemented in 2015.

W1.2b

Water discharges: for the reporting year, please provide total water discharge data by destination, across your operations

Destination	Quantity (megaliters/year)	How does total water discharged to this destination compare to the last reporting year?	Comment
Fresh surface water	502.3	Lower	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly and checked quarterly and annually. There is some uncertainty with water discharges because not all sites have this metered. The reduction of nearly 50 megalitres is due to our programs to reduce water use/discharge and reuse water.
Brackish surface water/seawater	0	Not applicable	
Groundwater	262.6	Higher	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly and checked quarterly and annually. There is some uncertainty with water discharges because not all sites have this metered.
Municipal/industrial wastewater treatment plant	1163.8	Lower	All water metrics are collected through our EHS data management system for all sites globally. This data is input monthly and checked quarterly and annually. There is some uncertainty with water discharges because not all sites have this metered; however this reduction is generally from water reduction and reuse initiatives.
Wastewater for another organization	0	Not applicable	
Total	1928.7	About the same	Despite some changes in individual discharge types, the overall discharge volume is about the same.

W1.2c

Water consumption: for the reporting year, please provide total water consumption data, across your operations

Consumption (megaliters/year)	How does this consumption figure compare to the last reporting year?	Comment
1725.5	Lower	Generally, lower water consumption is in line with the programs to reduce water use and reuse water at our sites.

W1.3

Do you request your suppliers to report on their water use, risks and/or management?

Yes

W1.3a

Please provide the proportion of suppliers you request to report on their water use, risks and/or management and the proportion of your procurement spend this represents

Proportion of suppliers %	Total procurement spend %	Rationale for this coverage
1-25	1-25	PMI has a large number of suppliers, but those most crucial to our business in terms of water risk are tobacco suppliers and farmers. We have therefore prioritized these areas to engage with on water issues through the implementation of Good Agricultural Practices (GAP) which cover around 450,000 farmers across 30 countries globally and are a contractual requirement for tobacco suppliers doing business with PMI. GAP specifically covers measures for water quantity and quality management.

W1.3b

Please choose the option that best explains why you do not request your suppliers to report on their water use, risks and/or management

Primary reason	Please explain
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W1.4

Has your organization experienced any detrimental impacts related to water in the reporting year?

No

W1.4a

Please describe the detrimental impacts experienced by your organization related to water in the reporting year

Country	River basin	Impact indicator	Impact	Description of impact	Length of impact	Overall financial impact	Response strategy	Description of response strategy
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W1.4b

Please choose the option below that best explains why you do not know if your organization experienced any detrimental impacts related to water in the reporting year and any plans you have to investigate this in the future

Primary reason	Future plans
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Further Information

While impacts have occurred, in 2015 they were not significant to our operations.

Module: Risk Assessment

Page: W2. Procedures and Requirements

W2.1

Does your organization undertake a water-related risk assessment?

Water risks are assessed

W2.2

Please select the options that best describe your procedures with regard to assessing water risks

Risk assessment procedure	Coverage	Scale	Please explain
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Risk assessment procedure	Coverage	Scale	Please explain
Comprehensive company-wide risk assessment	Direct operations and supply chain	All facilities and some suppliers	Managing water risk is essential to our business. Our approach includes several key initiatives to identify, mitigate and manage risks across the business at a corporate and site level. As noted in W1.3a, we have prioritised engagement on water issues in our supply chain activities for tobacco suppliers and farmers, which are business critical. We completed a Climate Change Risk Assessment (CCRA) across our value chain and focus areas were identified in both our own operations, distribution channels and key suppliers. The CCRA covered all geographies where we do business. Extremes of weather such as flooding and drought as well as gradual changes in precipitation and water scarcity were all evaluated. This year we used the WRI Aqueduct Water Risk Tool to consider water-related risks, however, previously we used the WBCSD Global Water Tool to identify our operations which were subject to water stress, by watershed. We will continue to assess which tools (these or new ones) are fit for purpose each year as they continue to evolve. In addition, water supply and flood risk assessments are undertaken at site level (typically ISO14001 certified sites) to understand how vulnerable sites are to water related risk and local flooding events (e.g. Philippines). Water risk management is a fundamental part of our Good Agricultural Practices and covers management requirements for water quality, water abstraction, water efficiency and water discharges, all based on risk assessment.

W2.3

Please state how frequently you undertake water risk assessments, what geographical scale and how far into the future you consider risks for each assessment

Frequency	Geographic scale	How far into the future are risks considered?	Comment
Annually	Country	>6 years	Review of our Climate Change Risk Assessment
Annually	Facility	1 to 3 years	Facility long range planning

W2.4

Have you evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy?

Yes, evaluated over the next 10 years

W2.4a

Please explain how your organization evaluated the effects of water risks on the success (viability, constraints) of your organization's growth strategy?

We have completed a Climate Change Risk Assessment (CCRA) across our value chain and focus areas have been identified in both our own operations, distribution channels and key suppliers. Extremes of weather such as flooding and drought as well as gradual changes in precipitation and water scarcity were all evaluated in our CCRA in terms of their corresponding business impact and how that impact is likely to change in the short, medium and long term.

W2.4b

What is the main reason for not having evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy, and are there any plans in place to do so in the future?

Main reason	Current plans	Timeframe until evaluation	Comment
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W2.5

Please state the methods used to assess water risks

Method	Please explain how these methods are used in your risk assessment
Internal company knowledge WRI Aqueduct Other: Company-wide climate change risk assessment	<p>PMI has several initiatives and methods to assess and manage water risks. Internal company knowledge and expertise is used to identify and prioritise the most business critical sites (e.g. by production volume, distribution or previously experienced events) and value chain operations for PMI. In addition, site specific flood risk assessments, ISO 14001 certification and our Good Agricultural Practices (standards for tobacco suppliers and farmers who supply to PMI) are used by business managers to identify and manage water risks. These are all brought together through a company-wide risk review process. PMI has also commissioned independent experts to complete a climate change risk assessment (CCRA), which was updated in July 2015. This study identified future changes in climate and water factors (drought, flooding, cyclones) for all regions where PMI's direct operations and value chain operates and highlighted areas of key risk. The WRI Aqueduct tool was used to assess all manufacturing, port and leaf production sites. This was new this year whereas the WBCSD GWT was previously used. PMI will continue to consider what tool is most appropriate as the data sets continue to evolve. The internal prioritization according to business risk, Aqueduct risk and CCRA were analysed to shortlist locations with a higher water related risk. These are discussed in Section 3 of this response.</p>

W2.6

Which of the following contextual issues are always factored into your organization's water risk assessments?

Issues	Choose option	Please explain
Current water availability and quality parameters at a local level	Relevant, included	Relative to other industries, we withdraw small volumes of water for use at our manufacturing facilities and a large proportion of the use is for staff and green spaces rather than being process-related. This is factored into company level risk assessment initiatives through use of internal company knowledge of local conditions and regulation.
Current water regulatory frameworks and tariffs at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company knowledge on water abstraction and discharge consents.
Current stakeholder conflicts concerning water resources at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company understanding of supply and demand issues.
Current implications of water on your key commodities/raw materials	Relevant, included	Our products are based on agricultural raw materials and paper-based materials are also important. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA, and use of water risk tools.

Issues	Choose option	Please explain
Current status of ecosystems and habitats at a local level	Relevant, included	This is factored into company level risk assessment initiatives as part of our Good Agricultural Practices.
Current river basin management plans	Relevant, included	This is factored into company level risk assessment initiatives and as part of our Good Agricultural Practices and use of water risk tools.
Current access to fully-functioning WASH services for all employees	Relevant, included	This is factored into company level risk assessment initiatives as part of our ISO14001 and OHSAS18001 programs and minimum EHS requirements.
Estimates of future changes in water availability at a local level	Relevant, included	This is factored into company level risk assessment initiatives through our long term climate change risk assessment and as part of our Good Agricultural Practices.
Estimates of future potential regulatory changes at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company knowledge on water abstraction and discharge consents.
Estimates of future potential stakeholder conflicts at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company understanding of supply and demand issues.
Estimates of future implications of water on your key commodities/raw materials	Relevant, included	Our products are based on agricultural raw materials and paper-based materials are also important. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA and use of water risk tools.
Estimates of future potential changes in the status of ecosystems and habitats at a local level	Relevant, included	This is factored into company level risk assessment initiatives and as part of our Good Agricultural Practices.
Scenario analysis of availability of sufficient quantity and quality of water relevant for your operations at a local level	Relevant, included	This is factored into company level risk assessment initiatives through long term climate change risk assessment, as part of our Good Agricultural Practices and by using water risk tools.
Scenario analysis of regulatory and/or tariff changes at a local level	Relevant, included	This is factored into company level risk assessment initiatives through use of internal company knowledge on water abstraction and discharge consents.
Scenario analysis of stakeholder conflicts concerning water resources at a local level	Relevant, included	This is factored into company level risk assessment initiatives as appropriate through use of internal company understanding of supply and demand issues.
Scenario analysis of implications of water on your key commodities/raw materials	Relevant, included	Our products are based on agricultural raw materials and paper-based materials are also important. This is factored into company level risk assessment initiatives through our Good Agricultural Practices and engagement activities with key tobacco and clove suppliers, CCRA and use of water risk tools.
Scenario analysis of potential changes in the status of ecosystems and habitats at a local level	Relevant, included	This is factored into company level risk assessment initiatives as appropriate and as part of our Good Agricultural Practices.
Other		

W2.7

Which of the following stakeholders are always factored into your organization's water risk assessments?

Stakeholder	Choose option	Please explain
Customers	Not relevant, explanation provided	Water is not involved in the use of our products. We consider our customers and consumers with respect to their interest in our corporate environmental performance which includes water.
Employees	Relevant, included	Water usage by our employees and water saving initiatives.
Investors	Relevant, included	With respect to their interest in our corporate environmental performance which includes water.
Local communities	Relevant, included	Farming communities and water management issues.
NGOs	Relevant, included	Farming communities and water management issues.
Other water users at a local level	Relevant, included	Supply/demand understanding.
Regulators	Relevant, included	Water abstraction, management and discharge consents.
River basin management authorities	Relevant, included	We work with river basin management authorities when appropriate.
Statutory special interest groups at a local level	Relevant, included	We work with local special interest groups as appropriate.
Suppliers	Relevant, included	As part of our Good Agricultural Practices and Climate Change Risk Assessment process. In 2015 we continued to use CDP Supply Chain but at this stage the program are more active on the climate change element.
Water utilities/suppliers at a local level	Relevant, included	Water abstraction and discharge consents and supply/demand issues.
Other		

W2.8

Please choose the option that best explains why your organisation does not undertake a water-related risk assessment

Primary reason	Please explain
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Further Information

Module: Implications

Page: W3. Water Risks

W3.1

Is your organization exposed to water risks, either current and/or future, that could generate a substantive change in your business, operations, revenue or expenditure?

Yes, direct operations and supply chain

W3.2

Please provide details as to how your organization defines substantive change in your business, operations, revenue or expenditure from water risk

In relation to substantive change, we refer to materiality - material issues are identified in a multidisciplinary way and include those which:

- have the highest potential impact and a realistic probability of occurrence;
- are most relevant to our enterprises and geographic locations; and
- are most important to our stakeholders.

In 2020+ risk forecasting terms, higher level risks are defined as those with a potential impact in excess of US\$5M or a raw material impact in excess of 1000 metric tonnes of tobacco leaf. These apply to both our direct operations and our tobacco supply chain.

We have not specifically defined substantive change in relation to water risk.

W3.2a

Please provide the number of facilities* per river basin exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure and the proportion this represents of total operations company-wide

Country	River basin	Number of facilities exposed to water risk	Proportion of total operations (%)	Comment
Poland	Wisla	1	1-5	
Indonesia	Other: RIVER BASINS	1	1-5	
Philippines	Other: RIVER BASINS	2	1-5	

W3.2b

Please provide the proportion of financial value that could be affected at river basin level associated with the facilities listed in W3.2a

Country	River basin	Financial reporting metric	Proportion of chosen metric that could be affected within the river basin	Comment
Poland	Wisla	% global production volume	6-10	
Indonesia	Other: RIVER BASINS	% global production volume	6-10	
Philippines	Other: RIVER BASINS	% global production volume	6-10	

W3.2c

Please list the inherent water risks that could generate a substantive change in your business, operations, revenue or expenditure, the potential impact to your direct operations and the strategies to mitigate them

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
Poland	Wisla	Physical-Flooding	Plant/production disruption leading to reduced output	Potential for flooding of manufacturing location, based on company assessment of long term climate change risk updated in 2015.	>6 years	Unlikely	Low	Develop flood emergency plans Infrastructure maintenance Promote best practice and awareness Water management incentives	Less than \$1M	The cost of response strategy is estimated based on the cost of external providers used to assess flood and business continuity risk each year and related staff costs. Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to local flooding events. Understanding the scale and nature of this risk is an important initial step in managing the risk. As well as undertaking a risk assessment process, our insurance and business

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										continuity management plans are designed to mitigate the impacts associated with disruptions that may result from flooding events. Our operations are widely distributed across the world, helping to mitigate the effects of any disruption. We have a sophisticated capacity and footprint planning process which mitigates against local or regional operations disturbances.
Indonesia	Other: RIVER BASINS	Physical-Flooding Physical-Projected water stress	Plant/production disruption leading to reduced output	Potential for flooding of manufacturing location, based on company assessment of long term climate change	>6 years	Unlikely	Low-medium	Develop flood emergency plans Engagement with suppliers Infrastructure	Less than \$1M	The cost of response strategy is estimated based on the cost of external providers used to assess flood and business

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				risk updated in 2015.				<p>maintenance</p> <p>Promote best practice and awareness</p> <p>Water management incentives</p>		<p>continuity risk each year and related staff costs.</p> <p>Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to local flooding events. Understanding the scale and nature of this risk is an important initial step in managing the risk. As well as undertaking a risk assessment process, our insurance and business continuity management plans are designed to mitigate the impacts associated with disruptions that may result from flooding events. Our operations are widely distributed across</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										the world, helping to mitigate the effects of any disruption. We have a sophisticated capacity and footprint planning process which mitigates against local or regional operations disturbances.
Philippines	Other: RIVER BASINS	Physical-Flooding	Plant/production disruption leading to reduced output	Potential for impacts from cyclones causing loss to manufacturing locations and associated supply chain disruption, based on long term climate change risk assessment updated in 2015.	>6 years	Probable	Medium	Develop flood emergency plans Infrastructure maintenance Promote best practice and awareness Use of risk transfer instruments Water management incentives	\$1-\$5M	The cost of response strategy is estimated based on the cost of external providers used to assess flood and business continuity risk each year and related staff costs. Flood risk assessments are undertaken at the site level to understand how vulnerable sites are to local flooding events. Understanding the scale and nature

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>of this risk is an important initial step in managing the risk. As well as undertaking a risk assessment process, our insurance and business continuity management plans are designed to mitigate the impacts associated with disruptions that may result from flooding events. Our operations are widely distributed across the world, helping to mitigate the effects of any disruption. We have a sophisticated capacity and footprint planning process which mitigates against local or regional operations disturbances.</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										Also our Special Situation Management System for dealing with unforeseen impacts.

W3.2d

Please list the inherent water risks that could generate a substantive change in your business operations, revenue or expenditure, the potential impact to your supply chain and the strategies to mitigate them

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
Indonesia	Other: RIVER BASINS	Physical-Climate change Physical-Flooding	Supply chain disruption	The supplies of tobacco leaf in Indonesia are exposed to physical climate change risks, with cyclones and flooding being most critical. Crop losses, quality	>6 years	Probable	Medium	Engagement with suppliers Infrastructure investment Supplier diversification	\$10M +	Our tobacco supply chain is widely spread around the world, which helps to mitigate against climate related risks; there is also some flexibility in terms of the potential to

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				<p>impacts and supply chain manufacturing restrictions could impact PMI's production and sourcing strategy. This could change our crop buying pattern and result in increased operational cost. Also, clove is an important raw material for PMI to use in our local kretek brands. Indonesia produces over 70% of the world's cloves. Clove yields are complex; harvests can vary by up to 60% over a 4 year harvest cycle. Clove production is weather sensitive, climate changes such as intensification of the wet season could impact clove growing areas. This would reduce the supply and</p>						<p>relocate tobacco crops if some growing areas become more favorable than others. In addition, our substantial inventories of tobacco leaf can help to mitigate against short term impacts. We have engaged with our clove suppliers to improve crop management practices and are strengthening our supply chain for clove at an overall cost of several tens of millions US\$. The estimated cost is also based on program management for Good Agricultural Practices implementation.</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				increase the price of cloves.						
Pakistan	Other: RIVER BASINS	Physical-Climate change Physical-Drought	Supply chain disruption	Tobacco leaf growing is strongly influenced by physical climate change such as changes in temperature and precipitation. Increased drought / flooding could disturb the tobacco leaf life cycle stages (seedling, transplanting, growing, harvesting). The yield, quality and availability of the tobacco crop could be influenced by changes in precipitation and periods of drought. This could change our crop buying pattern and result in increased operational cost.	>6 years	Unlikely	Low	Engagement with suppliers Infrastructure investment Supplier diversification	\$1-5M	The potential impacts are based on a long term climate change risk assessment. Our tobacco supply chain is widely spread around the world, which helps to mitigate against climate related risks; there is also some flexibility in terms of the potential to relocate tobacco crops if some growing areas become more favorable than others. In addition, our substantial inventories of tobacco leaf can help to mitigate against short term impacts. Also, through our Good Agricultural Practices we include water management actions and support farming communities with water supply projects at a global

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										cost of several million US\$.
Philippines	Other: RIVER BASINS	Physical-Climate change Physical-Drought Physical-Flooding	Supply chain disruption	The supplies of tobacco leaf in Philippines are exposed to physical climate change risks, with flooding, drought and cyclones being possible. Crop losses, quality impacts and supply chain manufacturing restrictions could impact PMI's production and sourcing strategy. This could change our crop buying pattern and result in increased operational cost.	>6 years	Probable	Medium	Engagement with suppliers Infrastructure investment Supplier diversification	\$10M +	Our tobacco supply chain is widely spread around the world, which helps to mitigate against climate related risks; there is also some flexibility in terms of the potential to relocate tobacco crops if some growing areas become more favorable than others. In addition, our substantial inventories of tobacco leaf can help to mitigate against short term impacts. We have engaged with our tobacco suppliers to improve crop management practices and are strengthening our supply chain for tobacco at an overall cost of several tens of millions US\$. The estimated cost is based on program

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										management for Good Agricultural Practices implementation.

W3.2e

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your direct operations that could generate a substantive change in your business, operations, revenue or expenditure

Primary reason	Please explain
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W3.2f

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your supply chain that could generate a substantive change in your business, operations, revenue or expenditure

Primary reason	Please explain
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W3.2g

Please choose the option that best explains why you do not know if your organization is exposed to water risks that could generate a substantive change in your business operations, revenue or expenditure and discuss any future plans you have to assess this

Primary reason	Future plans
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Further Information

Page: W4. Water Opportunities

W4.1

Does water present strategic, operational or market opportunities that substantively benefit/have the potential to benefit your organization?

Yes

W4.1a

Please describe the opportunities water presents to your organization and your strategies to realize them

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
Company-wide	Increased brand value	PMI targets continuous improvement in environmental sustainability performance, including water issues,	1-3 years	We expect that by tackling sustainability and climate change issues appropriately, our company reputation

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
	Improved community relations Social licence to operate	through our Good Agricultural Practices program, our EHS Principles and Practices, environmental strategy and related objectives. Environmental Sustainability also forms part of our charitable giving programs.		could be enhanced.
Company-wide	Cost savings Improved water efficiency	As part of our environmental sustainability commitment we set water use reduction targets for all PMI manufacturing facilities to drive progress towards our goal to achieve a 20% reduction in water use by 2015 (per million cigarettes equivalent, from a 2010 baseline). We beat that target, achieving 24% reduction and are now focusing on a minimum 1% year-year reduction in the short term, with additional focus on operations present in water scarce areas – we will release new information on our future targets next year.	1-3 years	Cost savings can be achieved through improvements in water efficiency, conservation and recycling at PMI manufacturing facilities which are driven by a water reduction program. Though these opportunities are not currently considered substantial in relation to PMI's operations, revenue or expenditure, opportunities are still sought and targeted throughout our business. As an example, since 2010, our Quebec facility has decreased its water consumption by over 79% - by the end of 2015 it saved more than 300,000 m3 of water. The main project that led to this reduction was the implementation of closed loop cooling systems.
Company-wide	Ensuring supply chain resilience Improved water efficiency	Good Agricultural Practices include water management (abstraction, irrigation efficiency and discharge)	>6 years	Good water and irrigation management has a positive effect on crop yield and helps minimize uncertainty in supply.

W4.1b

Please choose the option that best explains why water does not present your organization with any opportunities that have the potential to provide substantive benefit

Primary reason	Please explain
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W4.1c

Please choose the option that best explains why you do not know if water presents your organization with any opportunities that have the potential to provide substantive benefit

Primary reason	Please explain
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Further Information

Module: Accounting

Page: W5. Facility Level Water Accounting (I)

W5.1

Water withdrawals: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a

Facility reference number	Country	River basin	Facility name	Total water withdrawals (megaliters/year) at this facility	How does the total water withdrawals at this facility compare to the last reporting year?	Please explain
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Facility reference number	Country	River basin	Facility name	Total water withdrawals (megaliters/year) at this facility	How does the total water withdrawals at this facility compare to the last reporting year?	Please explain
Facility 1	Poland	Wisla	Philip Morris Polska	165.4	About the same	
Facility 2	Indonesia	Other: RIVER BASINS	PT Philip Morris Indonesia	795.4	About the same	
Facility 3	Philippines	Other: RIVER BASINS	PMFTC Batangas	213.4	About the same	
Facility 4	Philippines	Other: RIVER BASINS	PMFTC Marikina	281.8	About the same	

Further Information

Page: W5. Facility Level Water Accounting (II)

W5.1a

Water withdrawals: for the reporting year, please provide withdrawal data, in megaliters per year, for the water sources used for all facilities reported in W5.1

Facility reference number	Fresh surface water	Brackish surface water/seawater	Rainwater	Groundwater (renewable)	Groundwater (non-renewable)	Produced/process water	Municipal water	Wastewater from another organization	Comment
Facility 1	0	0	0	0	0	0	165.4	0	
Facility 2	1.9	0	0.3	525.5	0	0	267.7	0	
Facility 3	0	0	0	0	0	0	213.4	0	
Facility 4	0	0	0	0	0	0	281.8	0	

W5.2

Water discharge: for the reporting year, please complete the table below with water accounting data for all facilities included in your answer to W3.2a

Facility reference number	Total water discharged (megaliters/year) at this facility	How does the total water discharged at this facility compare to the last reporting year?	Please explain
Facility 1	118.1	About the same	No significant change
Facility 2	469.4	About the same	No significant change
Facility 3	104.5	Higher	Process changes from 2014
Facility 4	8.1	About the same	No significant change

W5.2a

Water discharge: for the reporting year, please provide water discharge data, in megaliters per year, by destination for all facilities reported in W5.2

Facility reference number	Fresh surface water	Municipal/industrial wastewater treatment plant	Seawater	Groundwater	Wastewater for another organization	Comment
Facility 1	118.1	0	0	0	0	
Facility 2	213.5	255.9	0	0	0	
Facility 3	0	104.5	0	0	0	
Facility 4	8.1	0	0	0	0	

W5.3

Water consumption: for the reporting year, please provide water consumption data for all facilities reported in W3.2a

Facility reference number	Consumption (megaliters/year)	How does this compare to the last reporting year?	Please explain
Facility 1	47.3	About the same	No significant change
Facility 2	326	About the same	No significant change
Facility 3	108.9	About the same	No significant change
Facility 4	273.7	About the same	No significant change

W5.4

For all facilities reported in W3.2a what proportion of their water accounting data has been externally verified?

Water aspect	% verification	What standard and methodology was used?
Water withdrawals- total volumes	76-100	100% of manufacturing sites had their water KPIs verified by SGS United Kingdom Limited (SGS) to their sustainability data assurance process during annual verification.
Water withdrawals- volume by sources	Not verified	
Water discharges- total volumes	Not verified	
Water discharges- volume by destination	Not verified	
Water discharges- volume by treatment method	Not verified	
Water discharge quality data- quality by standard effluent parameters	1-25	Individual facility data may be verified by local regulators according to legal requirements. Not all sites globally have metered water discharges.
Water consumption- total volume	Not verified	

Further Information

Module: Response

Page: W6. Governance and Strategy

W6.1

Who has the highest level of direct responsibility for water within your organization and how frequently are they briefed?

Highest level of direct responsibility for water issues	Frequency of briefings on water issues	Comment
Senior Manager/Officer	Scheduled-annual	

W6.2

Is water management integrated into your business strategy?

Yes

W6.2a

Please choose the option(s) below that best explain how water has positively influenced your business strategy

Influence of water on business strategy	Please explain
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Influence of water on business strategy	Please explain
Establishment of sustainability goals	Changes in climate and water availability, which could impact (i.e. reduce yields and/or quality) sensitive crops such as tobacco and clove, are important for our business strategy. The outcome of this impact is that PMI has developed a water strategy that is split into two main areas: (i) Minimizing our impact on the environment through water use reduction initiatives; and (ii) Minimizing the future environmental impact on our business through a water and climate change risk assessment process.

W6.2b

Please choose the option(s) below that best explains how water has negatively influenced your business strategy

Influence of water on business strategy	Please explain
No measurable influence	The level of negative influence is not currently material to our business. We note that we discuss broader influences on our business within our CDP Climate Change disclosure.

W6.2c

Please choose the option that best explains why your organization does not integrate water management into its business strategy and discuss any future plans to do so

Primary reason	Please explain
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W6.3

Does your organization have a water policy that sets out clear goals and guidelines for action?

Yes

W6.3a

Please select the content that best describes your water policy (tick all that apply)

Content	Please explain why this content is included
Company-wide Performance standards for direct operations Incorporated within group environmental, sustainability or EHS policy	To set minimum requirements for our own direct manufacturing facilities in terms of water-use efficiency and to cover water use in relation to Good Agricultural Practices. A summary of key elements of our Water strategy is also provided in our publicly available Communication on Progress to the UN Global Compact which also includes our interim Human Rights policy statement.

W6.4

How does your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) during the most recent reporting year compare to the previous reporting year?

Water CAPEX (+/- % change)	Water OPEX (+/- % change)	Motivation for these changes
0	-13	OPEX - stable water prices whilst driving water use efficiency, with a net decrease in water-related OPEX of 13%. Water-related OPEX is not significant to our business (less than 0.1%). CAPEX - we only segregate CAPEX that is water-related in certain circumstances, often the project drivers are varied and the water-related element is not financially significant. The level of projects compared to 2014 is similar and therefore 0% change has been entered for CAPEX.

Further Information

Page: W7. Compliance

W7.1

Was your organization subject to any penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations in the reporting year?

Yes, not significant

W7.1a

Please describe the penalties, fines and/or enforcement orders for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations and your plans for resolving them

Facility name	Incident	Incident description	Frequency of occurrence in reporting year	Financial impact	Currency	Incident resolution
Philip Morris Kuban (Russia)	Fine	Wastewater quality - increased level of maximum allowable concentration of contaminants above relatively tight limits in Russia.	4	4254	USD(\$)	We continue to review operational practices and treatment improvement opportunities to minimize impacts.
Leonard Dingler Ltd (South Africa)	Fine	Final discharge effluent exceeded the parameter limit for pH, COD and Conductivity levels.	1	1776	USD(\$)	Weekly cleaning of drains, manual removal of solid residues from processing before cleaning operations. Also conduct onsite pH and COD analysis to proactively monitor fluctuations in effluent quality.
Philip Morris Ukraine	Fine	Wastewater quality - increased levels of phosphates, ammoniacal nitrogen, suspended solids, detergents above relatively tight limits for these substances in Ukraine.	1	2130	USD(\$)	Root cause assessment (discharge of the wastewater from process cleaning and boiler water preparation); we continue to review operational practices and treatment improvement opportunities to minimize impacts.
Philip Morris Ukraine	Fine	Wastewater quality - increased levels of phosphates, ammoniacal nitrogen, detergents, chlorides, BOD5 above relatively tight limits for these substances in Ukraine.	1	9130	USD(\$)	Root cause assessment (discharge of the wastewater from process cleaning and boiler water preparation); we continue to review operational practices and treatment improvement opportunities to minimize impacts.

W7.1b

What proportion of your total facilities/operations are associated with the incidents listed in W7.1a

6%

W7.1c

Please indicate the total financial impacts of all incidents reported in W7.1a as a proportion of total operating expenditure (OPEX) for the reporting year. Please also provide a comparison of this proportion compared to the previous reporting year

Impact as % of OPEX	Comparison to last year
0.01	No change

Further Information

Page: W8. Targets and Initiatives

W8.1

Do you have any company wide targets (quantitative) or goals (qualitative) related to water?

Yes, targets and goals

W8.1a

Please complete the following table with information on company wide quantitative targets (ongoing or reached completion during the reporting period) and an indication of progress made

Category of target	Motivation	Description of target	Quantitative unit of measurement	Base-line year	Target year	Proportion of target achieved, % value
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Category of target	Motivation	Description of target	Quantitative unit of measurement	Base-line year	Target year	Proportion of target achieved, % value
Reduction of product water intensity	Water stewardship	In 2010, we set ourselves the goal of reducing water use in our manufacturing facilities by 20% (per million cigarettes equivalent) by 2015 from our 2010 baseline. In 2015 we exceeded this goal and reduced water use by 24%. Going forward, we have set an interim target of additional 1% reduction year on year, with our focus being on operations present in water scarce areas to achieve best water management performance. We will release new information on our future targets next year, including our plans for further water stewardship activities across our value chain.	% reduction per unit of production	2010	2015	100%

W8.1b

Please describe any company wide qualitative goals (ongoing or reached completion during the reporting period) and your progress in achieving these

Goal	Motivation	Description of goal	Progress
Engagement with suppliers to help them improve water stewardship	Water stewardship	Implementation of Good Agricultural Practices (GAP) by tobacco suppliers and farmers. Quality water is essential for growing tobacco and for farming communities, which is why GAP specifically covers measures for water quantity and quality management.	Communicated to all tobacco suppliers. Progress against measurable standards not yet available.

W8.1c

Please explain why you do not have any water-related targets or goals and discuss any plans to develop these in the future

Further Information

Module: Linkages/Tradeoff

Page: W9. Managing trade-offs between water and other environmental issues

W9.1

Has your organization identified any linkages or trade-offs between water and other environmental issues in its value chain?

Yes

W9.1a

Please describe the linkages or trade-offs and the related management policy or action

Environmental issues	Linkage or trade-off	Policy or action
Linking energy and water reduction in our factories.	Linkage	Energy is often required to drive water-consuming processes, and by improving the efficiency of processes and equipment both water and energy consumption can be reduced. Our Energy Management Program (EMP) was developed to help achieve our CO2e reduction target of 20% by 2015 compared to our 2010 baseline for our manufacturing affiliates. This program, although focusing on energy, also delivers water savings in specific examples. The management focus provided by the EMP provides a context for general resource optimization. Examples: • Optimization of steam systems results in decreases in both energy and water use. • Installation of energy and water metering devices at all facilities allows a better understanding of water consumption and allows targeted improvement actions. • Development and use of a “Ready mode” on specific equipment has helped to reduce the consumption of electricity, gas, steam and water. • Installation of new high efficiency chillers to improve both electricity and water consumption.

Further Information

Module: Sign Off

Page: Sign Off

W10.1

Please provide the following information for the person that has signed off (approved) your CDP water response

Name	Job title	Corresponding job category
Andre Calantzopoulos	Chief Executive Officer	Chief Executive Officer (CEO)

W10.2

Please select if your organization would like CDP to transfer your publicly disclosed response strategy from questions W1.4a, W3.2c and W3.2d to the CEO Water Mandate Water Action Hub.

No

Further Information

CDP 2016 Water 2016 Information Request